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SUBJECT: JOINT EXAMINATION OF AL RAJHI BANK THROUGH THE
JOINT TERRORIST FINANCING TASK FORCE

REF: RIYADH 1503

(U) Classified by NEA David Satterfield for reasons 1.4
(b) and (d).

11. (S) Summary and action request. This is an urgent action cable. Please pass the proposed terms of reference for the joint examination of the Al Rajhi Bank through the Joint Terrorist Financing Task Force to appropriate Saudi officials at the Saudi Arabian Monetary Agency, the Ministry of Finance, the Ministry of Interior, and the Joint Terrorist Finance Task Force. This same paper will be hand delivered in Washington to Adel al-Jubeir, the Foreign Affairs Advisor to Crown Prince Abdullah. End summary.

12. (S - Releasable to KSA)

BEGIN TEXT

Introduction

The cooperation between the U.S. and Saudi governments through the Joint Terrorist Financing Task Force (JTFTF), along with the assessment by the Financial Action Task Force (FATF) of the Saudi anti-money laundering and countering financing of terrorism (AML/CFT) regime, signals significant capabilities by the Saudi government to ensure that its financial institutions are not being used by extremists intent on supporting/committing acts of terrorism. While the Saudi government has provided assurances regarding measures it is putting in place to address terrorism, there remains a need for greater coordination with the Saudi Arabian Monetary Agency (SAMA) and use of AML/CFT authorities within the financial sector. For example, representatives of the U.S. and Kingdom of Saudi Arabia have discussed U.S. concerns that Al Rajhi Banking and Investment Corporation (Al Rajhi Bank) has been used by al Qaida and like-minded terrorist groups. The U.S. government has provided the Saudi government with information documenting specific instances of terrorists using Al Rajhi Bank, including information about specific accounts and transactions of interest. The U.S. and Saudi governments have agreed to work together to meet a mutual goal of ensuring that Al Rajhi Bank is doing everything possible to keep the taint of terrorists and their supporters out of the bank. This includes ensuring that the Al Rajhi Bank is fully equipped to monitor and note suspicious patterns and trends in account activity, so as to create a preventative system within the institution.

Proposed Terms of Reference

The U.S. Department of the Treasury (Treasury), together with an inter-agency bank examination team (examination team), will work with SAMA through the existing JTFTF, on terms of reference for conducting a joint examination of certain accounts at Al Rajhi Bank. The joint examination will include a review of both customer information relevant to the specified accounts and transactions (wire transfer, check payment, cash management, etc.) processed through those accounts. Additionally, the examination team will review anti-money laundering compliance files related to all of the accounts. This joint examination can be modeled on other such examinations conducted with foreign authorities when there have been perceived issues of

mutual concern regarding the activities within a particular financial institution.

The intent of such an on-site review and related examination is to work collectively with the Al Rajhi Bank, identifying patterns and problems, to ensure that all corrective measures are delineated and implemented to ensure the institution is not operating in a way that provides a safe haven for the financial transactions of terrorists and their supporters. The information reviewed and developed in the course of this joint examination would be used to help the bank formulate solutions, guide SAMA in its regulatory work, and provide the JTFTF with potential leads for further investigation.

There is agreement to ensure that as much work as possible is completed before the examination team arrives in Saudi Arabia. This work in preparation for the joint examination would involve an off-site review of certain Al Rajhi Bank records. A list of the types of documents that will be requested is attached as Exhibit A. Upon receipt of the requested documents, the examination team will review them before beginning the examination. It is likely that this review of the requested documents will take several weeks, including the time necessary to translate all documents that are not maintained in English.

After the examination team has reviewed the requested records, Treasury will work with SAMA through the JTFTF to establish a schedule for the on-site examination in Saudi Arabia. The on-site visit will include the opportunity to speak with Al Rajhi Bank personnel, including, but not limited to, the account relationship managers for the specified accounts. These meetings will enable the examination team to better understand the nature of these accounts, the transactions processed through them, and the account holders' backgrounds and banking activities. Once on-site, the examination team also will be able to request any additional documents, not already provided, relating to the specified accounts or to any relevant transactions. The small examination team would likely be comprised of approximately seven people, including representatives from the regulatory and law enforcement communities, and would be prepared to provide translators to facilitate the meetings as well as the additional document review. It is possible that the examination team will divide into subgroups, conducting simultaneous examinations on discrete issues, e.g., reviews of account information or systemic issues, in order to ensure greater efficiency and appropriate use of expertise. It is anticipated that the examination would take one to two weeks, but there is a need to be flexible in order to accommodate the amount of information and processes to be reviewed. It is understood that SAMA representatives will fully participate in all meetings with Al Rajhi Bank personnel and the review of all documents.

13. (C) Exhibit A to Proposed Terms of Reference for Joint Examination of Al Rajhi Bank
Documents to be provided to Juan C. Zarate, Assistant Secretary for Terrorist Financing and Financial Crimes, Department of the Treasury for review by the examination team in advance of on-site visit:

1A. A listing of all accounts of any kind, including DDA accounts, maintained by your institution for the individuals that will be specified.

1B. For each account listed, all documentation concerning the customer in the possession of the institution, including the complete account opening documentation, customer background information, client type (e.g. bank customer, commercial), country of residence, and risk rating.

1C. For each account listed, all account statements and a complete transcript of wire transfer data for the specified period. The following field headings are

suggested for the wire transfer data:

- Source
- Transaction # Date
- Debit Amount Credit Amount
- Debit Party
- Debit Account #
- Debit Party Address
- Credit Party
- Credit Party Account #
- Credit Party Address
- Ordering Bank
- Ordering Bank Address
- Ordering Customer
- Ordering Customer Address
- Beneficiary
- Beneficiary Address
- Account With Address
- Payment Detail Bank to Bank

¶D. For each account listed, any reports, including any work papers and supporting documentation of anti-money laundering compliance or terrorist financing reviews related to the account.

¶E. Action plans, if any, related to any reports concerning anti-money laundering compliance or terrorist financing described in paragraph 4.

¶F. A list of all local laws relating to customers with which Al Rajhi Bank must comply, including a description of how businesses ensure compliance with such laws, and how Al Rajhi Bank verifies compliance by business areas.

¶G. Any external audit reports, including any work papers and supporting documentation, rendered during the preceding three years, including audits of Compliance and AML/KYC.

END TEXT

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